



DATE: February 19, 2019

TO: MIAX Options Members

FROM: MIAX Options Regulatory Department

RE: Implementation of Complex Liquidity Exposure Process (cLEP) for Complex Orders and Complex eQuotes

This Regulatory Circular is to inform MIAX Options Members of the implementation of a Complex Liquidity Exposure Process (cLEP) for complex orders and complex eQuotes that would violate their Complex MIAX Price Collar (“MPC”) price, beginning February 19, 2019.

The MPC price protection feature is an Exchange-wide mechanism under which a complex order or complex eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO bid at the time the MPC is assigned by the System (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in \$0.01 increments (the “MPC Setting”), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the “MPC Price”).

The Exchange is implementing a new Complex Liquidity Exposure Auction (“cLEP Auction”) for complex orders or complex eQuotes that would execute or post at a price that would violate its MPC Price. The System will post the complex order or eQuote to the Strategy Book at its MPC Price and begin the cLEP Auction by broadcasting a liquidity exposure message to all subscribers of the Exchange’s data feeds. The liquidity exposure message will include the symbol, side of the market, auction start price (MPC Price of the complex order or eQuote), and the imbalance quantity.

The System will initiate a Response Time Interval, which is currently set to 200 milliseconds. At the conclusion of the Complex Liquidity Exposure Auction if the resulting trade price is less aggressive than the MPC Price, liquidity will be handled in accordance to Exchange Rule 518(c)(2), Execution of Complex Orders and Quotes. Orders and quotes executed in a cLEP Auction will be allocated in accordance with the Complex Auction allocation procedures described in Exchange Rule 518(d)(7), Allocation at the Conclusion of a Complex Auction.

At the conclusion of the Complex Liquidity Exposure Auction the resulting trade price will be determined by the Exchange’s Complex Auction Pricing and interest will be executed as provided in subsection (d)(6) of Exchange Rule 518. In no event will the resulting trade price of a cLEP Auction ever be more aggressive than the MPC Price. Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii) – (v) of Exchange Rule 518, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation process as described below. Orders and quotes executed in a cLEP Auction will be allocated in accordance with the Complex Auction allocation procedures described in Exchange Rule 518(d)(7)(i) – (vi).



At the conclusion of a cLEP Auction the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the “New MPC Price”). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of Rule 518. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

Complete details regarding the cLEP can be found in the Exchange’s rule filing ([SR-MIAX-2018-36](#)).

Please contact MIAX Trading Operations at TradingOperations@MIAXOptions.com or (609) 897-7302 with any questions about stock-option complex order functionality.

Regulatory inquiries should be directed to Regulatory@MIAXOptions.com or (609) 897-7309.